INCOME POLICIES

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All life insurance is a provision for the future. For many years it was the provision of a definite sum of money to be paid in full to the beneficiary at the death of the insured. Income insurance looks a little farther into the future; it safeguards the proceeds of the policy by making definite provision for their distribution over a period of years. This form of insurance is one of the more recent developments of the life insurance idea and it stands out as a milestone in our economic progress. Before the coming of income policies, when a man insured his life under one of the usual forms of life policies, he was looking ahead to the day when death would deprive his wife or other dependents not only of his presence and companionship, but also of his income, and he visualized the payment by the insurance company of a stated sum of money which would, in part at least, compensate his dependents for the loss sustained. In the light of this later development of income insurance, the man insuring today has a clearer vision of the future. He can see well beyond the time of his own death; he can reach out into the after years, by means of an income policy, and can thus assume the burden of a proper distribution of the proceeds of his life insurance instead of placing this burden upon his dependents. He can also insure such a proper distribution to his own declining years.

Everyone who knows anything at all of life insurance has heard of at least three of the plans upon which it is written, namely, ordinary life, limited payment life and endowment. The first plan provides for the payment of a stipulated level premium during the entire lifetime of the insured; the second plan provides for the payment of a stipulated level premium for a limited number of years. Both plans give insurance for life, under promises to pay the amount of the insurance to the beneficiary upon the death of the insured. The third, or endowment plan, like the limited payment plan, contemplates the payment of premiums for a specified number of years only, but unlike either, the insurance is effected under promises to

pay the amount thereof upon the insured's attaining a certain age, or at death prior thereto.

Until within recent years the proceeds of these and other forms of policies were paid to beneficiaries in a lump sum. Latterly it has become much the vogue to disburse the proceeds in instalments, and therein lies the origin of the income policy. It will be seen, therefore, that the income policy is not a new plan of insurance, but simply contains a device or method, grafted on to the older plans, for leaving the proceeds of the policy with the insuring company, to be paid in instalments; and it may be written on the ordinary life, limited payment, endowment, and even on the term plan.

Income policies are divided into two great classes—those which provide income for beneficiaries and those which provide income for insurants themselves. The first is constructed by incorporating the income feature in ordinary life and limited payment life plans; the second is constructed by applying the same method to endowment plans or by the incorporation of disability benefit provisions in any of these plans. A treatment of the idea as a whole entails the consideration of the various types of income provided, and the application of these types to each of the forms of insurance to which they have been adapted.

Types of Income

"Income" is rather a broad term. In its general application it may cover revenues arising from many sources. In its application to the subject in hand it deals specifically with certain types of instalments and annuities, hence it is desirable that our terminology be made clear.

Instalments. The term "instalments" when used in connection with an insurance policy refers to sums of money payable at stated times for a definite period. We thus have policies payable in ten, fifteen, twenty or more annual instalments certain; and in such case the instalments are payable during the fixed period whether the person to whom they are payable lives out that period or not. If the person to whom such instalments are payable dies before the end of the period, the remaining instalments can be made payable to the estate, or the commuted value of the same can be paid.

Life Annuities. A life annuity is an amount payable each year to an individual, dependent upon the continuance of the life of that

individual. A deferred annuity is, as its name implies, one in which the payments to the annuitant begin at some time in the future.

Continuous Instalments. The term "continuous instalment" is one that is used quite commonly in connection with income policies. This is a plan of settlement which combines with the provision for instalments certain a deferred annuity of equal amount to begin on completion of the instalments certain and to be paid as long as the beneficiary shall survive thereafter.

Thus it will be seen that the term "Income Policies" as applied to the ordinary forms of whole life insurance is a very flexible term and, as I shall develop it later, stretches still further than this in its application to an income for the insured himself under endowment policies and under disability provisions.

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Instalments Certain. As has been pointed out, instalments certain may be arranged for various periods of years: five, ten, fifteen, twenty, twenty-five or thirty. Twenty years is the period most commonly used. A settlement by instalments certain deals with definitely established facts; it is not dependent upon a life contingency except as to the time of payment of the first instalment, and this contingency, while it enters into a consideration of the premium to be charged, has no bearing whatever upon the amount or number of the instalments to be paid.

There are two distinct forms to be kept in mind. The one, for illustration, provides $10,000 of insurance which, upon the death of the insured, shall be paid to the beneficiary in twenty annual instalments. In this case at time of settlement the company has in hand $10,000 with which, at an assumed interest rate of 3½ per cent, it can guarantee twenty annual instalments of $679.80. The other form, instead of increasing the instalments by interest accretions, approaches from another angle, by discounting the interest earnings. This form, in contrast with the example I have just cited, provides twenty annual instalments of the fixed amount of $500. The ultimate amount payable to the beneficiary in this case, it will be seen, is $10,000, but the actual amount which the company must have on hand at the death of the insured is not $10,000 but its discounted equivalent. At an assumed interest rate of 3½ per cent this actual amount would be $7,354.90. In the first case the company charges

premiums upon an insurance of $10,000; in the second, it charges premiums only upon the actual amount of insurance involved, or $7,354.90. Either of these forms could be called a $10,000 policy, but they represent two distinct values: one an immediate $10,000 the other an ultimate $10,000. The fact that these things are so similar in name and yet so dissimilar in value unfortunately has led at times to unscrupulous misrepresentation. Applicants, in cases of competition, have been led to believe they were getting the full amount of insurance at a lower rate. As a measure of protection several state legislatures have required that contracts payable in instalments must show prominently the commuted value or cash equivalent of such instalments.

Continuous Instalments. The instalments certain policy, as I have shown, converts capital into income; this income continues only for a stated number of years, twenty years being the usual period. But the beneficiary may live longer. Having been accustomed to a fixed income, what will the situation be when that income ceases? To answer this question the late Emory McClintock, for many years the well known actuary of one of the prominent New York companies, devised the continuous instalment feature. The first policy of this kind, according to the best available information, was issued on February 1, 1893.

The provision of instalments certain is a relatively simple matter. It does not make any difference whether the beneficiary is five years of age or fifty years of age, the premium rate is the same. But the assumption of an obligation to pay twenty annual instalments certain, and to continue to pay the same amount annually thereafter so long as the beneficiary lives, immediately involves a new and very important fact, the age of the beneficiary; for it becomes necessary in this case to combine with the instalments certain a deferred annuity to the beneficiary of the same amount, to begin twenty years after the death of the insured.

Under this form of settlement the company stands obligated to pay twenty instalments certain to somebody. Should the beneficiary die before these twenty payments have been completed, then the residue is payable to the estate of the beneficiary. Usually in this case policies provide that upon the death of the beneficiary the commuted value of the unpaid instalments shall be paid to the estate of the beneficiary in a lump sum. The theory is that the purpose of

the income has been fulfilled, and it facilitates the settlement of the estate to bring the contract to an immediate termination. Of course, the death of the beneficiary of itself terminates the deferred annuity agreement and no value vests in the estate of the beneficiary by reason of this termination. Under the continuous instalment form, if the beneficiary die before the insured, this immediately terminates the deferred annuity agreement and, from that time on, the annual premium is reduced by the amount charged for the deferred annuity, the policy continuing for the face amount payable in twenty instalments certain. A new beneficiary may be substituted, but the deferred annuity feature cannot be restored as the life upon which it was originally predicated has ceased to exist.

Among very competent life insurance critics there are those who do not place a high value upon the continuous instalment feature. They argue that in the average case of a man and wife their ages are approximately the same, their chances of survivorship are about equal, and they point out that the probability of the wife surviving the husband for a period of more than twenty years is necessarily remote. While there is merit in this argument so far as it goes, the fact remains that the true values of these possibilities are taken into account with mathematical exactness in the making of the rate, consequently the benefit bears a proper relation to its cost. In the case of a son insuring for the benefit of his mother, I grant that the continuous instalment feature is not particularly interesting. At the outset there is a disparity of many years in their ages. Projecting this age-difference into the future on the basis of the American Experience Table of Mortality it will be seen that it is unlikely —but of course not impossible—that the mother will live to profit by the deferred annuity provision. Reverse the order. Consider the case of a parent insuring for the benefit of a young child and the continuous instalment feature immediately takes on a new meaning. But, as I have pointed out, the rate in all these cases is determined with mathematical exactness and the insured in each case gets exactly what he pays for.

Monthly Income. This policy involves no new principle. It merely introduces a new method of payment—the instalment idea carried to a finer degree. By a computation of interest it is not difficult to reduce an annual instalment into semi-annual, quarterly, or monthly payments. Under the usual forms the first annual in-

stalment is payable immediately upon due proof of the death of the insured. With many companies it is the practice, where monthly payments are desired, to make a simple division of the annual instalment into twelve parts without regard to interest, reasoning that the interest on the eleven deferred payments about compensates for the additional labor and expense of making twelve payments each year instead of one.

Immediate Payment and Monthly Income. This policy also involves no new principle. It is an attempt to adjust the method of settlement to the beneficiary's exact needs. As the name implies, it provides an immediate payment, usually one-tenth of the face amount, and thereafter a monthly income. The theory is that death, generally preceded by sickness, entails extraordinary expenses and a readjustment of the family finances. By providing for the payment of one-tenth of the face amount at death, this need is met and the beneficiary is assured an income for the future.

Optional Modes of Settlement. Recently it has become more or less general practice to include in the regular policy forms, even term policies, a provision offering various modes of settlement at death or maturity. Usually there are three options:

1. Proceeds left at interest. The proceeds of the policy may be left with the company at a guaranteed rate of interest, subject to withdrawal in whole or in part at any time on demand, under certain specified conditions.

2. Instalments certain. The proceeds shall be paid in equal annual, semi-annual, quarterly or monthly instalments for a period of from two to twenty-five years, as may be agreed.

3. Continuous instalments. This option operates as previously described. The amount of each instalment is determined by the age of the beneficiary or payee when the first instalment becomes due and, for obvious reasons, the company will require satisfactory evidence of the age of such beneficiary or payee.

Two tables are included in the provision, the one showing the instalments provided under Option 2, the other showing the amount of the continuous instalments, referred to in Option 3, at the various ages of payee or beneficiary.

This provision, it will be noted, is an extension of the income idea to a point that makes this method of settlement an available part of nearly all the regular forms of life insurance policies. As the name implies, these modes of settlement are *optional.* While the insured is alive and the policy in force he may specify in writing under which option he desires the proceeds of his policy paid.

Should he fail to exercise his right to make a choice, the right of choice is still open to the beneficiary after the insured's death. But it will be seen that it is necessary for one or the other to perform a definite act of election, otherwise the proceeds will be paid in a lump sum. Herein lies the one weakness of this provision—and it is not so much a weakness of the provision as it is a weakness of human nature. The fact that he has the privilege of election as to the method of settlement is very interesting to the average policy-holder, but in this as in the matter of making one's will the actual performance is all too frequently put off. As a consequence much of the good that this provision might accomplish is not accomplished for the reason that the insured so often fails to exercise his right.

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Endowment Income. All that has been said in the foregoing sections deals with income policies as related to the beneficiary in ordinary life and limited payment life forms. In other words, an income provided by the insured for someone dependent upon him, this income to begin when his own income is cut off by death. But this same principle has been applied to the provision of an income for the insured himself by arranging an instalment settlement under an endowment policy. Thus a man of thirty may insure, for example, under a thirty year endowment policy, and, at age sixty, instead of receiving the proceeds of the policy in a lump sum he is assured a fixed income for say twenty years. In like manner the deferred annuity is also applied to the endowment income. By combining with the instalments certain a deferred annuity on the life of the insured, his policy guarantees him that at maturity he will receive the proceeds of the policy in twenty annual instalments certain and, should he survive that period, a continuance of these annual instalments for the rest of his life.

Disability Income. In addition to the provision of an income for the beneficiary upon the death of the insured, and the provision of an income for the insured himself to make up the shrinkage of his income in advancing years, there is still another field in which the income idea is being applied to good purpose. I refer to the granting of protection against the risk of total and permanent disability, that living death which not only cuts off income but very often makes necessary the sacrifice of life insurance protection at a time

when its need is most imminent. This provision was first introduced by the late L. G. Fouse, of Philadelphia, October 16, 1896. While something like one hundred and fifty life insurance companies are now offering some form of disability provision, a great many of these limit the provision to a mere waiver of premiums. This takes care of the policyholder's *insurance,* but it does not take care of *him.* The disability provision in its best development not only lifts from the insured the load of premium payments, but also provides an *income for him.* The method of treatment varies with different companies. In some cases provision is made for the payment of the face amount in eight equal annual instalments, in others ten instalments, still others provide for instalments over a longer period. In most of these cases the instalments paid to the insured on account of disability are deducted at death or maturity. A still later development of the idea, and quite the broadest protection that has come into this field, is the provision which guarantees that in case of total and presumably permanent disability the insured shall receive a stated annual income—or more correctly speaking, a disability annuity—which shall continue, if disability continues, until maturity, or death if prior. Whether the policy terminate by death or by maturity, the full face amount is paid, to the beneficiary in the one case, or if terminated by maturity, to the insured himself, without deduction of any payments made to the insured because of disability or of the premiums waived for the same reason.

The fact that the insured has become totally and permanently disabled does not as a rule alter the situation of the beneficiary or remove the need of insurance protection. A policy that converts insurance provided for the beneficiary into an income for the insured upon his becoming totally and permanently disabled serves one purpose, of course, but it is an immediate subversion of the chief purpose originally intended. The policy that keeps in mind the need of the beneficiary and at the same time makes full provision for the need of the insured, in case he should become totally and permanently disabled, serves both purposes and has much to commend it. In nearly all these forms the disability provision is limited to disability occuring before age sixty. To provide against the risk of disability in the more advanced ages would entail a very heavy premium which would make the whole proposition unattractive.

ADVANTAGES OF INCOME POLICIES

FOR THE BENEFICIARY

It is safe to say that 75 per cent of the beneficiaries of life insurance policies are women. They are not financiers; they are just plain, average women who with very few exceptions are entirely lacking in any broad grasp of business matters and especially the investment of large sums of money. All their lives they have depended upon husbands and fathers who have borne the financial responsibility and looked after the money matters of the family. What acquaintance they have with money is almost invariably on an income basis. In the case of the wage-earner the weekly pay envelope provides the amount with which the family has to deal. Move up the scale, you have the salary-earner's monthly check forming the basis of the family budget. Only at rare intervals, when the surplus earnings have accumulated to a sizable amount, is the family called upon seriously to consider the question of investment. Upon those rare occasions the husband or the father decides. There are exceptions, of course, but this is the rule. So with all her inexperience, sensitiveness, and over confidence in human nature, is it right to expect a woman suddenly bereft of her bread-winner and adviser to take hold of a large sum of money and invest it safely and profitably? Think of a man suddenly retiring from business and asking his wife and children to step in and take charge. Then contemplate, if you please, a widow, dejected and sorrowful, her children gathered about her, her lap full of money, the proceeds of her husband's life insurance. This money is her fortune, her protection against want. Her happiness in the future and the welfare of her children depend upon how wisely she invests it. That is the task with which she is confronted. The question is inevitable—has that husband done all that he might have done? Was it enough to have this money placed in his wife's lap and expect her to work out her own salvation?

It has been said that a widow is a shining mark for a mining shark. It would be funny if it were not so tragic. Every life insurance man of any experience has seen instance after instance where the proceeds of life insurance policies have been dissipated through the inexperience or gullibility of beneficiaries. *Puck* published a cartoon some time ago entitled "The Widow and Orphan." It pictures a woman in widow's weeds hurrying out of a life insur-

ance office, one hand clasping the hand of her child, the other a bag labeled "life insurance money." Coming pell-mell down the street after her is a mob of men, each with something to sell,—Cuban land, gold mining stock, suburban real estate, and what not! Verily, her real trials have just begun.

The Human Element. Or the sudden possession of a large sum of money may cause a woman to take a new turn—as it has some of her stronger brothers—to set up standards of living which cannot last and which in the end must result in humiliation and distress. Not long ago a prominent newspaper contained the following:

> Less than a year ago, one of the prominent citizens in this vicinity died, leaving his wife life insurance amounting to nearly $25,000. She immediately became "rich," rented a large house in a prominent locality and lavished money in furnishing it. She had not the faintest idea as to the value of money. What was left after dabbling in luxuries, the stock market, where she had invested at the suggestion of "her friends" previous to the recent slump, was cleaned up, so that she is left without a dollar other than what might be realized from the household furnishings. And indeed, there may not be very much realized from that source, as there are now two months' rent due, with no available funds to pay it.

The story is told of a widow and daughter in Buffalo, now living in a small apartment and taking in sewing to eke out a meager existence. This mother and daughter inherited in all three fortunes, approximately a million dollars. Most of this money was invested by the daughter, on the advice of friends, in high-interest-bearing securities. A good part of it was squandered in more or less extravagant living. In 1907, in the pinch of panic, it became necessary to realize on some of their investments, and sad was the awakening when they found that their packet of beautifully engraved certificates was valueless.

A Chicago business man, killed by a train, left his widow a total of $90,000 insurance. Ten thousand dollars of this amount was payable in instalments; $80,000 was payable in a lump sum. Her brothers and some other relatives were developing a gold mine. They had put their money into it; they believed in it; they persuaded her to invest her entire capital. She went in to the extent of her $80,000 and attempted to have the life insurance company commute the remaining $10,000 that was payable in instalments. This was contrary to the provisions of the policy and the company refused to comply. The widow became quite indignant and re-

sented what she thought to be an arbitrary decision. One year later when her next instalment was due she called at the office of the company, sought out the president and poured out her thanks and appreciation. Her entire investment of $80,000 was gone; this $10,000 instalment policy was the only thing that stood between her and want.

Countless instances of this same kind might be recited. No statistics are available on the subject. In the very nature of the case, it would be difficult to assemble data sufficiently complete and sufficiently reliable to reveal the whole truth. It has been estimated that of the proceeds of life insurance policies paid in lump sums about 60 per cent is lost by the beneficiaries within six years after the death of the insured. I do not vouch for this figure. I prefer to believe that it is an overestimate of the true facts. Although my own observation convinces me that most of our American people live in the present and do not greatly concern themselves with the future. With a large sum of money in hand a great many women succumb to the temptation to enjoy a season of luxurious living even at the risk of actual want in the future. They spend their capital instead of their income. This is more or less an American habit. In France and England they do not speak of a man as being worth 500,000 francs or £20,000. They live on income. The money they have and the money they save is carefully put by at interest. The average American carelessly feels that he is worth all the money he happens to have and too often he spends accordingly. Thrift has not yet become a prominent virtue in his life; he has not yet learned to think in terms of income.

But I am convinced that a wholesome change is setting in in our American life and income policies will play no small part in educating our people to conserve capital and live on income. Just now we are in a period when a great many of these policies are being sold; we have not yet reached that point when the benefits of this form of insurance will be universally felt and understood. In the course of years every community in this broad land will be dotted with homes here and there that will be in regular receipt every year, many of them every month, of an income check from some distant life insurance company. These income checks are bound to have an educational value to the children who grow up in those homes. They will not be without their lesson to the tradespeople of those

communities; in course of time they will undoubtedly exert a potent influence upon the thrift of the nation.

Sizes of Incomes. It is sometimes argued that an income policy is all right for a man who can carry a large amount, but that it does not fit the small insurer. It seems to me this is fallacious reasoning. The farther down you go in the scale of amount the less financial ability and investment wisdom you are likely to find in the beneficiary. If there is one person in the world who needs income rather than capital it is the woman who all her life has been educated to live out of a weekly pay envelope. Income is a relative thing. Twenty dollars a month, or even ten dollars a month would seem as big to this woman as $100 a month to her more fortunate sisters. A woman left with the problem of rearing her small children needs above all else shelter. Give such a woman a home she can be sure of and she will somehow contrive to feed and clothe her little ones. A sure income of twenty dollars a month or ten dollars a month would pay the house rent and give her a confidence that is hard to measure. A woman with a sure income, however small it may be, can take it with her wherever she goes. It is not like a piece of property that may shrink in value, or because of her inability to dispose of it anchor her to some particular spot.

The income policy is just as interesting to the man of large means. In fact, men of larger affairs and broad financial experience appreciate the value of the income provision more than anyone else. In this connection it is interesting to note that in the late J. Pierpont Morgan's will all bequests to women, with a single exception, were left in trust. Mr. Morgan was doubtless one of the shrewdest and most capable financiers of his time. Moreover there is every reason to suppose that the beneficiaries of his will, had they been given principal instead of income, would have received for the asking wise counsel and direction in the matter of its investment. But in his wisdom Mr. Morgan saw to it that the matter was definitely fixed before his death. Alba Johnson, President of the Baldwin Locomotive Works, one of the largest manufacturing plants in the world, in addressing a body of life insurance men recently, told of a similar provision he had made in the case of his own sons. He had no reason to feel that his sons would not grow up to be worthy and capable men. He did not wish to place any stigma upon them, but he was anxious to make their future sure. Accordingly, he

said, he took $100,000 insurance on his life for each one of them, and willed that this amount be put in trust.

ADVANTAGES FOR THE INSURED

The foregoing relates the advantages of the income principle to the beneficiary. As much and more might be written of the extension of these advantages to the insured by the extension of income to endowment.

The creation of an estate for those who usually do not accumulate one during life is one of the greatest benefits of life insurance. The teacher, the clergyman, the clerk, the American man—and his name is legion—who goes through life on a salary which is definitely limited, finds in insurance the only means of leaving to his family an estate sufficient to meet stark necessity. The greatest advantage of the life insurance policy is that it creates that estate immediately and guarantees safety at once.

But such a man is one who, if he live to advanced age, finds the necessity for provision for dependents grow less and necessity for provision for his own age grow stronger as the years wear on. Hence the endowment idea.

Strange to say, the maturity of his policy finds such a man very often in almost the same position as the widow to whom the insurance company has just paid unwonted thousands. He has lived his life on a monthly or weekly check, his whole training in investment has been along the lines of putting by small amounts to realize a total adequate sum. He has seldom, if ever, been asked to invest any considerable amount of money. Moreover, he is an old man in most cases and his knowledge of business values is often far from up to date. In some instances he is entirely under the domination of next of kin who may not be too keenly interested in his welfare in comparison with their own. To such a man is turned over the thousands which he has saved during twenty, twenty-five, or thirty years. Quite often it is all that stands between him and absolute poverty.

For such a man, for the hundreds of men who, in varying degrees and varying ways, are so placed, the income plan is a great and needed protection. For the man who sees before him a certain number of years of limited production to be followed, if he live, by some years of complete or partial non-production, the policy which

combines the endowment plan with income for life must commend itself if he will take the necessary time and possesses the ability to give insurance a sober, clear consideration.

Advantages of Administration. Among the many general advantages gained by income insurance, that of its help in simplifying the vexed problem of estate administration is one which deserves more than passing mention. The transfer of property from the dead to the living is one of the great functions of a civilized society and, in our highly complex and greatly interwoven structure of modern life, it has become a wonderfully intricate but, in many cases, far from economical machine.

The income policy is, in effect, a trusteeship. In its operation it is very much like a will with the insured acting as his own executor. The entire disposition of the estate—this portion of his estate—is definitely fixed before his death; no lawyer's fees or court costs, no embarrassment or delays or difficulties can enter into the administration of this estate. The insurance company fills the rôle of administrator; by law, by contract and by a proper regard for the wishes of the insured, it is compelled to distribute the proceeds precisely as the insured has directed through the income policy. And there is never the fear that the institution will die as there is in the case of the personal executor or administrator.

Any man who wants to dispose of an estate must first get an estate to dispose of. The income policy also provides that. Immediately upon payment of the first premium the insured's estate is richer by at least the face amount of the policy, and it is an estate that will not shrink in the administration. The beneficiary can count absolutely on what she will receive, when and for how long.

Judge White of the Probate Court at Cleveland, Ohio, once said that after an experience of years it was his observation that the loss was oftentimes considerable in estates admitted to probate without litigation, not to mention the delay, defeat and the expenses of contested cases, or loss in consequence of incompetent administration. "Fortunes accumulated by the toil of years," said the Judge, "often shrink with amazing rapidity in the hands of incompetent next-of-kin, and the beneficent provision of wills are, in many cases, defeated by improvident and ignorant administration." Speaking of life insurance funds in this connection the Judge said:

No one becomes better acquainted with the value of life insurance than the judicial officer who has in his control the administration of the rights of widows and orphans. My observation is that policies of life insurance that provide for their payment in instalments . . . . instead of policies which secure a sum in gross at maturity, are very much safer and better for the beneficiaries. Considering this whole matter, I am free to say that estates one-half as large, administered by a . . . . duly constituted corporate institution, would give, in a large majority of cases, better results than estates twice as large, administered by indiscriminate next-of-kin who are entitled by law to the letters; and that life insurance payable in instalments . . . . will produce, in a majority of cases, double the benefit that would be realized upon insurance payable in a gross sum immediately after the death of the assured.

ADVANTAGES FOR AGENT AND COMPANY

Necessarily the many points upon which income policies make their appeal to insured and beneficiary are at once points of advantage to the agent. He makes his livelihood out of the sale of policies. Therefore, to borrow a phrase from the field of commercial salesmanship, he is interested in anything that will make his goods more attractive to the buying public. Undoubtedly income policies have done this. They at once appeal to a man's business sense, and they appeal also to the best sentiment in his nature, offering him a means by which he can bring to his family, years after he has passed from the scene, an ever-recurring reminder of his love for them and his tender solicitude for their material welfare.

It is interesting to note how the income idea will sometimes effect a sale where an ordinary form of insurance would not evoke much interest. For example, a certain man had been solicited a number of times but none of the agents who interviewed him seemed able to make any impression. His wife was dead; he had a large amount of insurance; there was no one dependent upon him but a six-year-old daughter. Now it so happened that this child was a victim of infantile paralysis and there was every indication that she would be a cripple for life. Another agent went into the case, learned this fact, and also learned that all of this man's insurance was payable in a lump sum. He had no difficulty in convincing him that an income policy was the kind of protection he needed to remove from the field of doubt the future care of that helpless daughter, and he succeeded in placing an additional policy on that life.

A similar instance is related in the case of a father with a blind

son. This man also carried a large line of insurance but when the advantages of the income policy were made clear to him, he was convinced that he had not gone as far as he might go in the protection of his helpless offspring. Another father with an only daughter was glad to take an income policy in addition to his other insurance upon the suggestion of an income check to arrive each year on his daughter's birthday to keep green in her memory her father's affection. These, of course, are the exceptional cases, but they serve to illustrate the salesmanship value of the income idea.

Many parents like to feel that their daughter is not entirely dependent upon her husband's income. So long as the father is alive there is little to fear, but after his death there is always a chance that things may not go just right. Here again the income policy steps in with just the right provision; not a lump sum of money that an improvident husband might squander, not a piece of property that might be converted into cash and disappear in the same way, but an income that can be paid only to that daughter, an income that will continue with unfailing regularity whatever else may happen to her family or its finances. Such a provision will give her an independence that may have an important bearing upon her happiness.

In insuring the lives of professional men the agent also finds the income policy a great help. Very frequently men of this class so thoroughly devote themselves to their special line of work that the thought of commercial profit gets little attention. Some of the brainiest men the world has ever known have accumulated little or nothing. The income policy makes a strong appeal to this class.

It is the testimony of all agents who have had experience that the income idea serves to increase the amount of the average policy. The whole presentation is on a basis of income. The prospect is led to think in terms of income. The face amount of the policy is kept in the background and seldom mentioned. Very often a man will buy a policy providing an income of $100 a month when if he had been approached on the basis of lump-sum insurance he could not have been persuaded to take more than one half the equivalent face amount. It is a well established fact that most men are under insured.

The personal income, that is the income to the insured himself, is particularly valuable as a stimulator of business. And one does

not have to search far to find the reason. If there is one thing in the world that the average man is interested in it is *himself*. This is quite natural and quite human. Self-preservation is the first law of nature. Purely as a matter of salesmanship it is easier to sell a man a policy from which he himself will reap the benefit than to interest him in something which will take place after he is dead. This is the fine distinction between *death* insurance and true *life* insurance—insurance for the living.

Nearly every man in active business hopes to retire some day but with most men it is only a hope, they have no plan. A policy providing a sure income to begin at age sixty or sixty-five and to continue for the rest of the insured's life is an ideal retirement plan. And when the same policy includes life insurance protection for the beneficiary and the provision of a disability income in the event of the insured's becoming totally and permanently disabled, it will be seen that all of life's major contingencies are well provided for. This policy adjusts itself to the insured's changing needs; it provides insurance protection when he needs that; it provides an income when his own income-producing powers are on the wane; it provides that in event of total and permanent disability he will be relieved of the burden of premium payments and will receive a disability income which, in a measure at least, will compensate the loss of his own income. This attractive combination of features makes a strong appeal to men, and just as strong an appeal to employed women. It presents life insurance on a new and interesting basis and makes the work of the agent easier and more profitable.

Then there is another side, and this is of interest to beneficiary, insured, agent and company. Whether it be income to beneficiary or income to insured it is taken for a definite purpose, with a certain specific end in view. This being the case I am convinced that a broad experience in the future will show a better record of persistency in this class of business as compared with lump-sum life insurance. Nor do I feel that the average policyholder will be so apt to borrow from future income as he now borrows from what he carelessly regards as present capital.

THE BROADER ASPECT

While the many solid advantages of the income principle as applied to life insurance are becoming more evident, and while the

rapid growth in the writing of this form of policy is an indication that it is to be an ever increasing factor in the insurance business of the nation, there is another and broader aspect of the subject which has constantly forced itself upon my attention.

The growth of the "income idea" is not only an indication of the increased thought of life insurance investors, but it is a guage and a sign of the increasing growth of thought and sense in the American people. It is an almost certain indication of the solid, sure and inevitable development of the character of the people of this country toward care and thrift. It is one of the great evidences of the passing of the pioneer, the carelessness for the future, the instability of aim which mark all new countries. It is the growth of the desire to make life more certain, comfort more sure, reward more definite, which is the underlying desire of civilized man and which is the measure, in its presence and force, of his civilization. It is not the only evidence of this national development, but it is one of the evidences which is most easily discernible and lends itself to accurate measurement. It is not necessary for me to add that this increasing tendency toward thrift is something which does, and indeed ought to, give rise to a sentiment which may be described only as patriotic.

Not only in its revelation of the growing thrift of the people does this growth of income insurance give material for wider thoughts and open up great vistas of economic speculation. It is a further indication, it seems to me, of the inherent purpose of the American people to solve problems in a democratic way. It is a step toward the solution of such vexing questions as "old age pensions" and "compensation" which have for some years occupied the minds of European governments and resulted in advanced and debated legislation. It would be a remarkable thing indeed if the American nation, of itself, within its own homes, by the might of the massed consciousness of a sane and thinking people, should solve these problems without the aid of laws by which the thrifty majority force thrift upon the thriftless minority. It is possible to believe that the people of this nation may in such increasing numbers subtract investment from wages in sufficient amount to safeguard old age and disability that the government shall never have to do it for them. That this is not Utopian may be learned from a glimpse at the statistics of life insurance; that it is democratic may be main-

tained by the statement that the mutual life insurance company is one of the most voluntary and democratic institutions ever developed in society.

It is in consideration of these wider aspects of the relation between life insurance as an institution and the nation as a whole that the income policy takes on a singularly significant, almost prophetic aspect. Nor can the man who reflects upon this aspect, with its great and ever widening growth, its increasing weaving of itself into the very heart of the thrift and personal prosperity of a vast people, fail to reflect also upon the equally enormous growth of life insurance institutions which must inevitably go with it. It is a reflection which brings with it a solemn feeling of responsibility—but not of doubt. For I firmly believe that the same desire to protect the home which has been the root and stock of American life insurance, the same growing sense of thrift and responsibility which has been the main spring of all its developments, such as the income policy, will keep pace with material growth, and that the same spirit which has increased insurance savings to the billions will walk hand-in-hand with the spirit which converted insurance companies from private corporations into great mutual democracies. It is of a vision such as this, not only possible but probable, that the rapid growth and development of the income policy is a hope and a sign.